

INFORMATION REPORT

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SUBJECT Recent Changes in USIA Policy

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1. Recent USIA directives to the Avtovelo Department probably indicate USIA policy now being applied to all USIA production administrations. Avtovelo has been ordered to sell all raw materials, scrap, and machinery not immediately needed to maintain current production. Production is to be speeded up at all Avtovelo plants, including those which have never before been the subject of Soviet interest and attention. Almost all current output of Avtovelo firms is being shipped to the Soviet Union. Transfer of these shipments from plant installations to Vienna dockside landings and railroad yards is to be handled by the Avtovelo Sales and Purchasing Office, instead of by the Soviet-controlled transport firm, Juschmeschtrans. Finally, Avtovelo's Sales and Purchasing Office is now entirely responsible for the procurement of the most important raw materials needed by Avtovelo firms to meet production quotas scheduled through 31 December 1949. Until now, USIA has permitted these firms to purchase their own raw material requirements and maintain a month's supply of surplus stocks. Now, the Purchasing Office will not only finance these purchases but will also arrange necessary commercial agreements with the satellite countries. All financial records for the third and fourth quarters of 1949 will be cleared through this office. Meanwhile, a schedule for the procurement and allocation of raw materials for Avtovelo firms is being prepared. Raw materials and equipment are to be purchased within the USIA complex wherever possible in conformance with USIA policy to limit the volume of transactions with non-USIA firms and Western countries.

Sale of items not required for current production

2. To date, all scrap and other materials placed on the market by Austro-Fiat have been sold.* Austro-Fiat is now selling a large quantity of tool machinery, most of which is not in operating condition, forges for heating and hardening steel, many of which are not complete, and a number of other items. Kronap A.G. has sold almost all of its scrap and surplus raw material stocks including such items as screws, bolts, emery wheels, and electrodes to purchasers who were solicited by postcard advertisements.** Elko Metallverarbeitung G.m.b.H. has dismantled and sold eight temporary wooden buildings to Austrian purchasers, 26 tons of aluminum alloy at 1.16 schillings per kilogram and 7 tons of "silumin" at 1.90 schillings per kilogram to USIA's

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Central Commercial Bureau, 3,840 ball bearings, which sell for a retail price of 10 to 15 schillings a piece, to USIA for five schillings each, and is now selling miscellaneous electrical equipment. At the same time, Elko officials are selling on the black market a considerable amount of material and according to source, profits derived from these independent transactions are retained by the various officials. Kloeckner-Humboldt-Deutz has sold 13 tons of scrap, the greater part of which is first quality pig iron (Gussblöcke) to Eisen und Metallverwertungs G.m.b.H.* This transaction was arranged by PRITZKE, General Director of Eisen- und Stahl A.G., and although the scrap has already been delivered, the Soviet director of Kloeckner-Humboldt-Deutz, Avtovelo's director, and the Central Commercial Bureau of USIA have not yet reached an agreement on the price. PRITZKE has offered Kloeckner-Humboldt-Deutz .75 schillings per kilogram, a rather low price when compared with the price of 1.25 schillings per kilogram currently being charged for a poor grade of scrap. Hirtenberger Patronenfabrik has sold an additional 70 tons of scrap and almost all of its surplus machinery to the Soviet Oil Administration (SMV), and factory officials estimate that a maximum of 10 tons of scrap now remains at this plant.** Newspaper advertisements of Steyr-Daimler-Puch A.G. repair shops have brought about a marked increase in the sale of automobile parts and scrapped vehicles. Meanwhile, Avtovelo's Sales and Purchasing Office has sold six tool grinding machines, manufactured by Wiener Werkzeug-u. Werkzeugmaschinenfabrik, Ing. Frank & Co., three to Bulgaria and three to Hungary. The Sales and Purchasing Office is now trying to sell miscellaneous band steel and knife steel in order to pay the next installment on Avtovelo's 600,000 schilling debt to USIA headquarters.***

Increased production of Avtovelo firms

3. USIA has cancelled the Soviet order for the manufacture of mobile electric power units (Kleinstromzentralen) and directed Kloeckner-Humboldt-Deutz to manufacture Diesel motors exclusively.**** USIA's new production schedule calls for a monthly output of 120 Diesel motors, a quota which far exceeds the present production capacity of Kloeckner-Humboldt-Deutz. These motors are to be shipped to the Soviet Union. Peter Ginzler of Ybbsitz Markt has received an order from USIA for the manufacture of 100,000 saws (Gattersägen) and 2,000 circular saws to be delivered before the end of 1949. Raw materials for this order are being purchased from Schoeller-Bleckmann at a cost of 200,000 schillings; payment is to be advanced by Avtovelo's Sales and Purchasing Office.

Procurement of Raw Materials

4. Avtovelo's Sales and Purchasing Office is now preparing a comprehensive survey of materials required by Avtovelo firms to complete production orders scheduled for the remainder of 1949. The purpose of this survey is to determine the exact amounts of items to be procured from Czechoslovakia, particularly automobile tires, wheels, transmission rods, ball bearings and paints.
5. Avtovelo has not been able to obtain the minimum 140 tires required to equip 20 trucks produced monthly by Austro-Fiat, and as a result it is now purchasing tires on the Austrian market. On 5 August 1949, the Sales Office purchased 10 General Goodyear and 10 Semperit 10,000 x 20 tires for 50,000 schillings from E.J. PHILIPP, Vienna IV, Waaggasse 2.***** PHILIPP allegedly purchases U.S. manufactured tires with dollars obtained from Steirische Magnesit-Industrie A.G., Vienna I, Parkring 16, at a rate of 13 schillings to a dollar. According to PHILIPP who was introduced to the Avtovelo office by SARTSAEV, a Soviet official in the sales office of USIA's Metallurgical Administration, SARTSAEV has demanded a commission of 1,000 schillings on this transaction. At the same time, Avtovelo has purchased 30 CEM Semperit truck tires for 46,066 schillings from USIA's Central Commercial Bureau.

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Other USIA developments

6. Franz ZIMMERMANN, purchasing agent who procured steel from Solingen, Germany, for the Soviet order of razor blades from "Auwerk" Hainfelder Stahlwarenfabrik, is now associated with "Karuko" Grosshandel Export-Import. ZIMMERMANN is reported to be negotiating for the purchase of high-speed locomotives from Bizonia for Hungary. Dipl. Ing. Gustav WURMBOECK, a commercial agent dealing in building supplies in Linz, Austria, has offered his services to Avtovelo as an export agent to handle transactions with the Near East, North Africa, and India. WURMBOECK claims he can sell to Turkey for dollars Diesel motors, manufactured by Kloeckner-Humboldt-Deutz, as well as five Austro-Fiat trucks a month.*

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Comment: [REDACTED]

Austro-Fiat released 38 machines including tool machines, 25 hardening and forging ovens, and several types of steel for sale by the Avtovelo Sales and Purchasing Office.

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Comment: The exact identity of this firm cannot be determined in the 1949 Handels or Industrie Compass, or the Vienna telephone book.

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Comment: [REDACTED]

Avtovelo's debt to the Soviet Military Bank was estimated at 700,000 schillings.

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Comment: PHILIPP may possibly be identical with Hans PHILIPP listed in the Vienna telephone book as the owner of a vulcanizing shop at Vienna IV, Waaggasse 5.

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Comment: WURMBOECK's claim seems unwarranted since Austrian prices for Diesel motors range from 30 to 40 percent higher than those quoted by U.S., British, Hungarian, and Czechoslovak firms.

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